

## APPENDIX B

### ALLOCATION SUMMARY

#### 2004 Community Development Block Grant (CDBG) Revenue Outlook

The City of Seattle is undertaking a biennial budget process that includes a two-year CDBG allocation for 2003-2004. In the course of the 2003-2004 biennium budget process, the City shall make two-year allocations of CDBG resources based on certain revenue assumptions for each source of funding. Final CDBG program allocations are subject to the appropriation levels set by the U.S. Congress and implemented by HUD.

Over the past five years, Seattle's CDBG entitlement has both risen and fallen slightly. In 2003, the City's CDBG entitlement award increased by \$201,000 over the 2002 level. This increase occurred after the City experienced a 2.6% drop in the award the previous year.

#### CDBG Revenue Estimates

As part of the 2004 Update to the Consolidated Plan planning process, each program area is recommending strategies for use of CDBG funds. The Plan also identifies options for the use of any increased or decreased funds. The current community development revenue projection of funds available for allocation, \$17,502,704 for 2004. The City's CDBG resources include prior year float loan interest and other miscellaneous sources of income.

#### Overall Allocation Guidelines

The 2004 funding allocations shall use the overall guidelines:

- The City will continue to allocate the maximum amount of CDBG revenue for human services allowed by federal regulations. Remaining CDBG resources shall be used to support physical development and City administration activities; therefore, the City will continue its policy that the priority for managing decreases in CDBG resources will be to reduce funding allocations in physical development and/or administrative activities and not in human services. Similarly, any increase in CDBG revenues will be distributed to the same. In addition, the City will continue to develop strategies to increase efficiencies that could potentially offset future CDBG funding reductions and will explore other funding options, federal funding, private funding, and foundation funding to address anticipated funding reductions.
- Program income from the single-family program, the multi-family fund, and the SRO program, will remain within these revolving loan funds, except that in 2004 only, portions of program income in certain of these funds are reprogrammed to other eligible activities as stated in the Action Plan Table.
- All programs funded by CDBG, whether they are operated by City departments or by community-based organizations, will be consistent with the goals of the Consolidated Plan.
- CDBG allocations for programs operated by City departments will be determined through the budget process.

- The City's policy is to permit up to 20 percent for administration and planning activities. Also, federal regulations currently allow cities to set aside up to 10 percent of the CDBG grant funds as contingency for cost overrun.
- In the event that the projected revenues differ from the actual revenues, the CDBG Administrator will work with affected City departments and implement policies and strategies stated in this Plan. At the earliest possible time in the first quarter, prior to submittal of the revised action plan to the Council, the CDBG Administrator will present recommendations to the Mayor and Council on how to meet the actual revenues following the substantial amendment public process rules. Mayor and Council decisions will then be incorporated into the City's revised annual action plan submitted to HUD.
- Allocation of increases will be determined through departments administering the service area through various competitive or negotiated processes. Nothing is guaranteed to a contractor except payment under a duly executed City contract. In making inflationary adjustments, departments will consider the following:
  - Shifts in non-City funding to various programs within the service area.
  - Agency performance in providing service.
  - Impact of inflation on the cost of service.
  - Inequities within staff compensation or other costs among programs providing similar services.
  - Extraordinary costs which threaten the ability to deliver critical services.
  - Support for priority services as determined by the Consolidated Plan.

## **2004 ESG Revenue Outlook**

ESG funds have been used in Seattle to improve the quality of emergency shelters; to support shelter initiatives to expand capacity; and to provide "essential services," non-maintenance, or security personnel to access supportive services to stabilize people in the community.

The City of Seattle is using an estimate of \$510,000 in 2004.

ESG funds will be used to implement continuum of care initiatives identified in the Consolidated Plan, and to maintain current emergency shelter and homeless assistance services.

**2004 HOME Revenue Outlook**

Refer to Housing Section.

**2004 HOPWA Revenue Outlook**

Funding estimate for the 2004 Consolidated Plan is \$1,700,000.

The proposed 2004 HOPWA allocations are as follows:

HOPWA Estimated Allocations	
	Funding Category
	2004
Housing Assistance	\$1,649,000
Administration	\$51,000
Total	\$1,700,000

## CITY OF SEATTLE STRATEGIES FOR THE USE OF CONSOLIDATED PLAN FUNDS

### STRATEGIES FOR THE USE OF CDBG FUNDS:

This section is to provide the City's overall strategies for using CDBG funds in accordance with policy priorities set forth by the Mayor and Council through various policy setting processes, including but not limited to, the budget process. Additionally, each program or planning area is recommending specific funding strategies for increased or decreased level of CDBG and HSP funds.

Human services, affordable housing, and economic development are top priorities of the Mayor and City Council for the use of CDBG funds. The City of Seattle will maintain its current CDBG funding policies. That is, to maintain the federally approved CDBG funding cap for public services. Given the CDBG spending cap on human services, any increase or decrease of CDBG funds will be applied to the physical development programs and planning/administration.

### Increased Funds

CDBG Funds - In the event that CDBG revenues exceed the current estimates, the additional resources shall be distributed to: 1) mitigate the funding reductions currently applied to various CDBG physical development programs, grant administration, and planning efforts; 2) provide a comparable funding increase to the aforementioned program areas to the extent possible, and 3) increase funding for those physical development programs that leverage non-City revenues or that do not require on-going annual funding. To the extent possible, the City shall avoid development of a CDBG operating expense base that cannot be sustained if the federal government fails to maintain future CDBG funding at the current levels.

### Decreased Funds

CDBG Funds - The following criteria shall guide funding reduction decisions:

- Human services continue to be a high priority for Seattle, and the City is committed to maintaining the current level of CDBG funding for human services. The federally approved CDBG funding level for human services will not be reduced.
- The CDBG funding reductions shall be made in planning, administration, and physical development programs, including program delivery costs. They include Community Facilities, Economic Development, and Housing. One-time-only capital projects are most likely to experience reduced allocations of any CDBG revenue decrease. Funding reductions will be applied across-the-board among physical development programs below the projected levels.
- The City will explore any other possible areas of savings or reductions that have a minimal impact on sustaining current levels of program operations and services. The CDBG Administrator shall work with affected City programs in identifying and capturing prior year CDBG under-expenditures.
- Through an interdepartmental process, the CDBG Administration Office will develop formal administrative policies and procedures for recapturing and re-allocating under-expenditures. The primary intent behind the policies and procedures is to promote an efficient and timely expenditure of grant funds.

- In order to meet HUD's timely expenditure requirements and to ensure funds are expended in a deliberate and efficient process, the CDBG Administrator shall, by no later than April 1 of each year, review CDBG allocations made to all entities. The CDBG Administrator, in consultation with the affected City departments as well as the Executive department overseeing these entities, will evaluate the recapture of CDBG funds under the following conditions:
  1. Unexpended CDBG funds allocated to human services, planning, administration, and City's internal staffing and operating costs shall be recaptured at the end of City's fiscal year;
  2. Unexpended CDBG funds allocated to various technical and project assistance activities including those supporting the operations of non-profit developers carrying out economic development and low-income housing development activities, shall be recaptured at the end of a one-year contractual cycle;
  3. Unexpended CDBG funds allocated to physical development activities including Low-Income Housing, Community Facilities, Parks Upgrades, Neighborhood Matching Fund, Equity Investment, and Façade Improvement shall be recaptured at the end of three years from the date of award notice or funding reservation letter from the City, unless these funds are encumbered by authorized and executed contracts, or unless substantial expenditure and progress on the project are documented, including substantial completion of design in the case of capital projects; and
  4. Funds not otherwise covered under 1, 2 and 3 above that are not awarded or encumbered after three years shall be recaptured at the end of the City's fiscal year.

The HSD Director shall, in the annual Action Plan or amendment to the annual Action Plan approved by Council, include a proposal for the use of recaptured CDBG funds. The recaptured CDBG funds shall be reallocated as follows:

- ✓ Each year's Action Plan is budgeted based on estimates of available funding. This estimated funding includes unexpended funds from the previous year(s) that are recaptured as described in this section of the Consolidated Plan. These recaptured funds will first be used to fund the current year's Action Plan to the extent necessary.
- ✓ In the event that the HUD Award is less than budgeted, any additional recaptured funds, if identified, will then be used to cover this CDBG shortfall.